

**CITY OF STEAMBOAT ROCK, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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## City of Steamboat Rock, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Jeff Risius	Mayor	Jan 2004
Matt Clark	Council Member	Jan 2004
Jeff Folkerts	Council Member	Jan 2004
John Hartman	Council Member	Jan 2006
Larry Havens	Council Member	Jan 2004
Marvin Veld	Council Member	Jan 2006
<b>(After January 2004)</b>		
John Hartman	Mayor	Jan 2006
Matt Clark	Council Member	Resigned
Keith Crosser	Council Member	Jan 2008
Ryan Rolph	Council Member	Jan 2008
Cory Schurman	Council Member	Jan 2008
Marvin Veld	Council Member	Resigned
Gene Kies	Council Member	Jan 2008
Eric Nielsen	Council Member	Jan 2006
Marcia Frerichs	City Clerk/Treasurer	Indefinite
Randy Tilton	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Steamboat Rock, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Steamboat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

The financial statement of The Steamboat Rock Volunteer Fire Department has not been audited, and we have not been engaged to audit The Steamboat Rock Volunteer Fire Department's financial statement as part of our audit of the City's basic financial statements. The Steamboat Rock Volunteer Fire Department financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statement of the City of Steamboat Rock's discretely presented component unit and do not express an opinion on such information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Steamboat Rock as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2005 on our consideration of the City of Steamboat Rock’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Steamboat Rock’s basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

January 18, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Steamboat Rock provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of these funds, and the balances at the year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and garbage funds, considered to be major funds of the City. The City has no Internal Service Fund.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$162,845 to \$144,125. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	<u>Year Ended June 30,</u> <u>2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 805
Operating grants, contributions and restricted interest	36,237
General receipts:	
Property tax	44,714
Local option sales tax	27,364
Unrestricted investment earnings	1,936
Intermediate financing	11,738
Other general receipts	<u>21,939</u>
Total receipts and transfers	<u>144,733</u>
Disbursements:	
Public safety	17,127
Public works	80,999
Culture and recreation	8,786
Community and economic development	30,958
General government	<u>25,583</u>
Total disbursements	<u>163,453</u>
Decrease in cash basis net assets	(18,720)
Cash basis net assets beginning of year	<u>162,845</u>
Cash basis net assets end of year	\$ <u>144,125</u>



Changes in Cash Basis Net Assets of Business Type Activities	
	<u>Year Ended June 30,</u> <u>2004</u>
Receipts:	
Program receipts:	
Charges for services:	
Water	\$ 19,183
Sewer	28,090
Garbage	31,528
General receipts:	
Unrestricted interest on investments	<u>117</u>
Total receipts	<u>78,918</u>
Disbursements:	
Water	22,388
Sewer	40,684
Garbage	<u>27,089</u>
Total disbursements	<u>90,161</u>
Decrease in cash balance	(11,243)
Cash basis net assets beginning of year	<u>30,534</u>
Cash basis net assets end of year	\$ <u>19,291</u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Steamboat Rock completed the year, its governmental funds reported a combined fund balance of \$144,125, a decrease of \$18,720. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$34,872 from the prior year to \$ 123,074. This decrease was due to setting up the Road Use Tax Fund and not allocating any street salaries to the Road Use Tax Fund.
- The Road Use Tax Fund cash balance increased by \$11,897 to \$11,897 during the fiscal year. This increase was attributable to setting up the Road Use Tax Fund for the first time. The City intends to use the money for future street repairs.
- The Schoolhouse Fund cash balance increased by \$4,255 to \$ 9,154 during the fiscal year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$3,205 to \$12,359 during the fiscal year.
- The Sewer Fund cash balance decreased by \$12,477 to \$(886), due primarily to the unexpected maintenance costs occurred during the fiscal year.
- The Garbage Fund increased \$4,439 to \$7,818 during the fiscal year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 4, 2004 and resulted in an increase in operating disbursements of approximately \$41,000 to provide for additional disbursements in certain City departments, and an increase in operating receipts of \$35,000.

## DEBT ADMINISTRATION

At June 30, 2004, the City had \$69,498 in bonds, compared to \$72,569 last year, as shown below.

Outstanding Debt at Year –End		
	<u>Year Ended</u>	<u>June 30,</u>
	<u>2004</u>	<u>2003</u>
Revenue notes	\$ <u>69,498</u>	<u>72,567</u>

The City has no general obligation debt outstanding at the end of the fiscal year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Steamboat Rock's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$190,000, a decrease of 12% over the final 2004 budget. Budgeted disbursements are expected to fall by approximately \$31,000. The City is not expecting as many street repairs as prior year.

If these estimates are realized, the City's budgeted cash balance is expected to stay the same by the close of 2005.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Frerichs, City Clerk, PO Box 366, Steamboat Rock, Iowa.

## **Basic Financial Statements**



City of Steamboat Rock, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2004

			Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 17,127	45	1,500	-
Public works	80,999	530	27,984	-
Culture and recreation	8,786	-	-	-
Community and economic development	30,958	-	6,753	-
General government	25,583	230	-	-
Total governmental activities	<u>163,453</u>	<u>805</u>	<u>36,237</u>	<u>-</u>
Business type activities:				
Water	22,388	19,183	-	-
Sewer	40,684	28,090	-	-
Garbage	27,089	31,528	-	-
Total business type activities	<u>90,161</u>	<u>78,801</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 253,614</u>	<u>79,606</u>	<u>36,237</u>	<u>-</u>
Component unit:				
Steamboat Rock volunteer fire department	<u>\$ 59,876</u>	<u>-</u>	<u>6,700</u>	<u>53,782</u>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Local option sales tax				
Unrestricted interest on investments				
Intermediate financing				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Debt service				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.







Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total	Discretely Presented Component unit
(15,582)	-	(15,582)	-
(52,485)	-	(52,485)	-
(8,786)	-	(8,786)	-
(24,205)	-	(24,205)	-
(25,353)	-	(25,353)	-
<u>(126,411)</u>	<u>-</u>	<u>(126,411)</u>	<u>-</u>
-	(3,205)	(3,205)	-
-	(12,594)	(12,594)	-
-	4,439	4,439	-
<u>-</u>	<u>(11,360)</u>	<u>(11,360)</u>	<u>-</u>
<u>(126,411)</u>	<u>(11,360)</u>	<u>(137,771)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>606</u>
44,714	-	44,714	-
27,364	-	27,364	-
1,936	117	2,053	-
11,738	-	11,738	-
21,939	-	21,939	-
<u>107,691</u>	<u>117</u>	<u>107,808</u>	<u>-</u>
(18,720)	(11,243)	(29,963)	606
162,845	30,534	193,379	463
<u>\$ 144,125</u>	<u>19,291</u>	<u>163,416</u>	<u>1,069</u>
\$ 11,897	-	11,897	-
-	7,675	7,675	-
132,228	11,616	143,844	1,069
<u>\$ 144,125</u>	<u>19,291</u>	<u>163,416</u>	<u>1,069</u>





City of Steamboat Rock, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2004

		<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>School House</u>
Receipts:				
Property tax	\$ 35,626	-	-	2,482
Other city tax	2,324	-	27,364	163
Licenses and permits	760	-	-	-
Use of money and property	1,934	-	-	13,162
Intergovernmental	2,280	27,984	-	-
Charges for service	45	-	-	-
Miscellaneous	<u>4,376</u>	<u>-</u>	<u>-</u>	<u>10,376</u>
Total receipts	<u>47,345</u>	<u>27,984</u>	<u>27,364</u>	<u>26,183</u>
Disbursements:				
Operating:				
Public safety	17,127	-	-	-
Public works	46,578	34,421	-	-
Culture and recreation	8,786	-	-	-
Community and economic development	-	-	-	30,958
General government	<u>25,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>98,074</u>	<u>34,421</u>	<u>-</u>	<u>30,958</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(50,729)</u>	<u>(6,437)</u>	<u>27,364</u>	<u>(4,775)</u>
Other financing sources (uses):				
Intermediate financing	11,738	-	-	-
Operating transfers in	4,119	18,334	-	9,030
Operating transfers out	<u>-</u>	<u>-</u>	<u>(27,364)</u>	<u>-</u>
Total other financing sources (uses)	<u>15,857</u>	<u>18,334</u>	<u>(27,364)</u>	<u>9,030</u>
Net change in cash balances	(34,872)	11,897	-	4,255
Cash balances beginning of year	<u>157,946</u>	<u>-</u>	<u>-</u>	<u>4,899</u>
Cash balances end of year	<u>\$ 123,074</u>	<u>11,897</u>	<u>-</u>	<u>9,154</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
General fund	\$ 123,074	-	-	-
Special revenue funds	<u>-</u>	<u>11,897</u>	<u>-</u>	<u>9,154</u>
Total cash basis fund balances	<u>\$ 123,074</u>	<u>11,897</u>	<u>-</u>	<u>9,154</u>

See notes to financial statements.





# Exhibit B

Nonmajor <del>Governmental</del> Employee Benefits	Total
3,866	41,974
253	30,104
-	760
-	15,096
-	30,264
-	45
-	<u>14,752</u>
<u>4,119</u>	<u>132,995</u>

-	17,127
-	80,999
-	8,786
-	30,958
-	<u>25,583</u>
-	<u>163,453</u>
<u>4,119</u>	<u>(30,458)</u>

-	11,738
-	31,483
<u>(4,119)</u>	<u>(31,483)</u>
<u>(4,119)</u>	<u>11,738</u>

-	(18,720)
-	<u>162,845</u>
-	<u>144,125</u>

-	123,074
-	<u>21,051</u>
-	<u>144,125</u>





Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ -	117	-	117
Charges for services	<u>19,183</u>	<u>28,090</u>	<u>31,528</u>	<u>78,801</u>
Total operating receipts	<u>19,183</u>	<u>28,207</u>	<u>31,528</u>	<u>78,918</u>
Operating disbursements:				
Business type activities	<u>22,388</u>	<u>40,684</u>	<u>27,089</u>	<u>90,161</u>
Total operating disbursements	<u>22,388</u>	<u>40,684</u>	<u>27,089</u>	<u>90,161</u>
Net change in cash balances	(3,205)	(12,477)	4,439	(11,243)
Cash balances beginning of year	<u>15,564</u>	<u>11,591</u>	<u>3,379</u>	<u>30,534</u>
Cash balances end of year	<u>\$ 12,359</u>	<u>(886)</u>	<u>7,818</u>	<u>19,291</u>

**Cash Basis Fund Balances**

Reserved for debt service	\$ -	7,675	-	7,675
Unreserved	<u>12,359</u>	<u>(8,561)</u>	<u>7,818</u>	<u>11,616</u>
Total cash basis fund balances	<u>\$ 12,359</u>	<u>(886)</u>	<u>7,818</u>	<u>19,291</u>

See notes to financial statements.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

The City of Steamboat Rock is a political subdivision of the State of Iowa located in Hardin County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Steamboat Rock had included all funds, organizations, agencies, boards, commissions and authorities. The City had also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board had set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Steamboat Rock and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

Discretely Presented Component Unit

The Steamboat Rock Volunteer Fire Department is a separate nonprofit organization whose purpose is to help raise funds for the City of Steamboat Rock's fire department. The records are maintained on the basis of cash receipts and disbursements. The Steamboat Rock Volunteer Fire Department meets the definition of a component which should be discretely presented. The Department's financial statement had not been audited and we do not express any opinion on the financial statement.

Jointly Governed Organizations

The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Hardin County Landfill Commission and Hardin County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax monies collected and disbursed for approved expenditures.

The Schoolhouse Fund is used to account for the operations and maintenance of the old school building.

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Garbage Fund accounts for the operation and maintenance of the City's garbage system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatments and sanitary sewer system.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The City of Steamboat Rock maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts

payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and business type activities functions.

**(2) Cash**

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

There were no investments at June 30, 2004. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(3) Bonds Payable**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending	Revenue		Total
	Bonds		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ 3,225	3,475	6,700
2006	3,386	3,314	6,700
2007	3,556	3,144	6,700
2008	3,733	2,967	6,700
2009	3,920	2,780	6,700
2010-2014	22,745	10,755	33,500
2015-2019	<u>28,933</u>	<u>4,472</u>	<u>33,405</u>
Total	<u>\$ 69,498</u>	<u>30,907</u>	<u>100,405</u>

The resolutions providing for the issuance of the revenue bonds include the following provision:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue note sinking accounts with the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a sewer revenue reserve account with the Enterprise  
Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking account.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(4) Notes Payable**

During year ended June 30, 2004 the City obtained intermediate financing to purchase a pickup for \$11,738 and interest at 5.4% for 3 years. The first payment for the note is July 10, 2004.

Future payments are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,924	317	4,241
2006	3,818	422	4,240
2007	<u>3,996</u>	<u>244</u>	<u>4,240</u>
	\$ 11,738	983	12,721
	=====	=====	=====

During the year ended June 30, 1999 the City agreed to reimburse Hardin County ten percent of the total cost of the Iowa River Bridge Project.

Future payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
2005	\$ 7,000
2006	<u>8,000</u>
	\$ 15,000
	=====

During the year ended June 30, 2004 the City paid \$7,000.



City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$1,628 which was equal to the required contributions for the year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned comp time payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Comp Time	\$ 2,551 =====

This liability has been computed based on rates of pay in effect at June 30, 2004.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(7) Deficit Fund Balances**

The Enterprise, Sewer Fund, had a deficit balance of \$886 at June 30, 2004. The deficit balance was a result of maintenance costs not expected to occur. The deficit will be eliminated upon the receipt of sewer revenues and possible sewer rate increases.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 4,119
Special Revenue: Schoolhouse	Special Revenue: Local Option Sales Tax	9,030
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	<u>18,334</u>
Total		<u>\$ 31,483</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$824 during the year ended June 30, 2004.

City of Steamboat Rock, Iowa

Notes to Financial Statements

June 30, 2004

**(10) Risk Management**

The City of Steamboat Rock is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the current year audited.

**(11) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

## **Required Supplementary Information**



City of Steamboat Rock, Iowa

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 41,974	-	41,974
Other city tax	30,104	-	30,104
Licenses and permits	760	-	760
Use of money and property	15,096	117	15,213
Intergovernmental	30,264	-	30,264
Charges for service	45	78,801	78,846
Miscellaneous	<u>14,752</u>	<u>-</u>	<u>14,752</u>
Total receipts	<u>132,995</u>	<u>78,918</u>	<u>211,913</u>
Disbursements:			
Public safety	17,127	-	17,127
Public works	80,999	-	80,999
Health and social services	-	-	-
Culture and recreation	8,786	-	8,786
Community and economic development	30,958	-	30,958
General government	25,583	-	25,583
Business type activities	<u>-</u>	<u>90,161</u>	<u>90,161</u>
Total disbursements	<u>163,453</u>	<u>90,161</u>	<u>253,614</u>
(Deficiency) of receipts (under) disbursements	(30,458)	(11,243)	(41,701)
Other financing sources, net	<u>11,738</u>	<u>-</u>	<u>11,738</u>
(Deficiency) of receipts and other financing sources (under) disbursements and other financing uses	(18,720)	(11,243)	(29,963)
Balances beginning of year	<u>162,845</u>	<u>30,534</u>	<u>193,379</u>
Balances end of year	<u>\$ 144,125</u>	<u>19,291</u>	<u>163,416</u>

See accompanying independent auditor's report.







<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net <u>Variance</u>
42,054	42,054	(80)
3,502	3,502	26,602
200	200	560
-	-	15,213
55,362	90,362	(60,098)
79,020	79,020	(174)
<u>-</u>	<u>-</u>	<u>14,752</u>
<u>180,138</u>	<u>215,138</u>	<u>(3,225)</u>
18,124	18,124	997
43,694	79,694	(1,305)
400	400	400
12,900	17,900	9,114
2,000	2,000	(28,958)
24,000	24,000	(1,583)
<u>79,020</u>	<u>79,020</u>	<u>(11,141)</u>
<u>180,138</u>	<u>221,138</u>	<u>(32,476)</u>
-	(6,000)	(35,701)
<u>-</u>	<u>-</u>	<u>11,738</u>
-	(6,000)	(23,963)
<u>128,178</u>	<u>128,178</u>	<u>65,201</u>
<u>128,178</u>	<u>122,178</u>	<u>41,238</u>

City of Steamboat Rock, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as

functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$41,000 budgeted revenues by \$35,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, and business type activities.

## **Other Supplementary Information**



City of Steamboat Rock, Iowa

Schedule of Indebtedness

Year ended June 30, 2004

<del>Obligation</del>	<del>Date of Issue</del>	<del>Interest Rates</del>	<del>Amount Originally Issued</del>
Revenue bond: Sewer	July 1, 1980	5.00 %	\$ 113,000
Notes payable: Pickup loan	January 2, 2004	5.40	11,738
Hardin County (10% of Iowa River Bridge)	April 5, 1999	-	43,000

See accompanying independent auditor's report.



## Schedule 1

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<u>72,570</u>	<u>-</u>	<u>3,072</u>	<u>69,498</u>	<u>3,628</u>	<u>-</u>
-	11,738	-	11,738	-	-
<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
<u>15,000</u>	<u>11,738</u>	<u>-</u>	<u>26,738</u>	<u>-</u>	<u>-</u>





## Bond and Note Maturities

June 30, 2004

Year Ending <u>June 30,</u>	Revenue bonds	
	Sewer	
	Issued July 1, 1980	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2005	5.00 %	\$ 3,225
2006	5.00	3,386
2007	5.00	3,556
2008	5.00	3,733
2009	5.00	3,920
2010	5.00	4,116
2011	5.00	4,322
2012	5.00	4,538
2013	5.00	4,765
2014	5.00	5,003
2015	5.00	5,253
2016	5.00	5,516
2017	5.00	5,792
2018	5.00	6,082
2019	5.00	<u>6,291</u>
Total		<u>\$ 69,498</u>

See accompanying independent auditor's report.



Shedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Year Ended June 30, 2004

2004

Receipts:

Property tax	\$ 41,974
Other city tax	30,104
Licenses and permits	760
Use of money and property	15,096
Intergovernmental	30,264
Charges for service	45
Miscellaneous	<u>14,752</u>

Total	<u><u>\$ 132,995</u></u>
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Disbursements:

Operating:

Public safety	\$ 17,127
Public works	80,999
Culture and recreation	8,786
Community and economic development	30,958
General government	<u>25,583</u>

Total	<u><u>\$ 163,453</u></u>
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See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Steamboat Rock, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 18, 2005. Our report on the financial statements, which was prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Steamboat Rock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Steamboat Rock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Steamboat Rock's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Steamboat Rock and other parties to whom the City of Steamboat Rock may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Steamboat Rock during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

January 18, 2005

City of Steamboat Rock, Iowa

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash revenues listing, bank deposits, posting of the cash revenues and expenditures and preparation of the bank reconciliation are all done by the same individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

City of Steamboat Rock, Iowa

Schedule of Findings

June 30, 2004

Response – These procedures will be implemented in the following billing period as recommended.

Conclusion – Response accepted.

I-C-04 Disbursement Approval – For one of twelve transactions tested, there was no evidence of Council approval.

Recommendation – The City should ensure that all expenditures are properly approved in the council minutes.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

City of Steamboat Rock, Iowa

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories - A resolution naming official depositories has not been approved by the City Council.

Recommendation – The City should adopt a resolution naming official depositories and the maximum deposit amount.

Response – We will comply with this recommendation

Conclusion – Response accepted.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the public works, community and economic development, general government, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.



City of Steamboat Rock, Iowa

Schedule of Findings

June 30, 2004

- II-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeff Risius , Mayor, Owner Of Risius Land Improvements	Maintenance	\$ 730
Larry Havens, Council Member Owner of Larry Havens Electric	Repair and Maintenance	94

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor and Council Member do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-G-04 Council Minutes - As previously noted, one transaction requiring Council approval had not been approved by the Council. However, the minutes were not published as required by Chapter 372.13(6) of the Code of Iowa. Also the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978. Also, the minutes were not signed the first half of the fiscal year.

Recommendation – The City should comply with the Code of Iowa and publish minutes and annual individual salaries as required. Also all expenditures should be properly approved.

Response – We will comply with the Code of Iowa and publish the minutes as required and we are currently signing the minutes and all expenditures will be properly approved.

Conclusion - Response accepted.

City of Steamboat Rock, Iowa

Schedule of Findings

June 30, 2004

II-H-04 Deposits and Investments – The City does not have a written investment policy as required by Chapter 12B and 12C of the Code of Iowa.

Recommendation – The City should adopt a written investment policy.

Response – We will do this.

Conclusion – Response accepted.

II-I-04 Revenue Bonds – The City had a deficit unreserved balance in the Sewer Utility Account as June 30, 2004.

Recommendation – City officials should monitor this account closely to return it to a positive balance. City officials should also consult with the City attorney to see if this deficit balance is a violation of the bond resolution.

Response – We will do this.

Conclusion – Response accepted.

II-J-04 Notes Payable – It was noted that the City of Steamboat Rock entered into an intermediate financing agreement during the year for the purchase of a truck. However, the City did not publish this agreement prior to authorization.

Recommendation – The City should follow the procedures in Chapter 384 of the Code of Iowa, which includes publishing a notice of the proposed action and holding a public hearing.

Response – We did not realize these procedures needed to be followed for an intermediate financing agreement. We will do this next time this situation occurs.

Conclusion – Response accepted.

